

Message Text

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60

ACTION NEA-12

INFO OCT-01 EUR-25 ISO-00 AEC-11 AID-20 CEA-02 CIAE-00

CIEP-02 COME-00 DODE-00 EB-11 FEA-02 FPC-01 H-03

INR-10 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01

SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00 PA-04 PRS-01

USIA-15 ACDA-19 DRC-01 /205 W
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FM AMEMBASSY KUWAIT

TO SECSTATE WASHDC 9398

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY MUSCAT

C O N F I D E N T I A L KUWAIT 1628

E.O. 11652: GDS

TAGS: EFIN, QA

SUBJECT: QATAR PROJECTING BILLION DOLLAR SURPLUS

REF: MANAMA 0248

SUMMARY: QATAR PROJECTED INCOME OF \$1.8 BILLION FOR 1974
WITH POSSIBLE EXEPNDITURES OF NOT MORE THAN \$500-600 MILLION
LEAVING AT LEAST BILLION DOLLAR SURPLUS FOR CALENDAR YEAR.

CHANNELING OF SURPLUS REMAINS TO BE SEEN. EMBASSY BELIEVES
AMIR, SHAIKH KHALIFA, WILL MAINTAIN FORMER CONSERVATIVE STANCE
OF PLACING SURPLUS IN HANDS PRIVATE EUROPEAN INVESTMENT HOUSES
FOR TIME BEING, DIVERTING SURPLUS ONLY WHEN CONVINCED OF SOUND-
NESS OF INVESTMENT OPPORTUNITIES BEING OFFERED BY US AND
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EUROPEAN BUSINESSMEN. END SUMMARY.

1. WITH CONCLUSION OF QATAR'S OIL AUCTION IT NOW POSSIBLE TO ESTIMATE QATAR'S INCOME FOR 1974. THE FOLLOWING ESTIMATES WILL BE CONSERVATIVE BASED ON AVERAGE PRODUCTION OF 520,000 BPD, AVERAGE GOVERNMENT TAKE OF \$7.25 ON COMPANIES' 40 PERCENT OIL, AND AVERAGE RECEIPTS OF 11 ON BUY-BACK AND AUCTION OF GOVERNMENTS 60 PERCENT.

2. ASSUMING THE ABOVE, QATAR'S INCOME SHOULD BE AT LEAST \$1.5 MILLION PER DAY FROM TAXES AND ROYALTIES AND \$3.4 MILLION PER DAY FROM BUY-BACK AND AUCTION. THIS TOTALS APPROXIMATELY \$1.8 BILLION FOR CALENDAR YEAR 1974.

3. QATAR'S BUDGET FOR THIS YEAR STILL BEING TIGHTLY HELD; HOWEVER DEVELOPMENT EXPENDITURES ESTIMATED TO BE APPROX. \$150 MILLION. IT POSSIBLE THIS MIGHT INCREASE TO \$200 MILLION. EMBOFF SUGGESTED TO QATAR'S DIRECTOR OF FINANCIAL AFFAIRS THAT HE COULDN'T SEE HOW QATAR COULD POSSIBLY MANAGE SPEND MORE THAN \$500-\$600 MILLION THIS YEAR, TO WHICH DIRECTOR READILY AGREED AND SAID PROBABLY WOULD BE LESS THAN THAT.

4. EVEN ASSUMING CRUDE PRICES SOFTEN LATER THIS YEAR (COMAPNIES' BUY-BACK AGREEMENTS SUBJECT TO REVIEW IN JUNE, AND AUCTION SALES STATES AS PERCENTAGE - 93 PERCENT - OF POSTED PRICE), IT CLEAR QATAR FACING SURPLUS ON ORDER OF BILLION DOLLARS THIS CALENDAR YEAR.

5. QUESTION REMAINS WHAT WILL BE ITS DISPOSITION. ATTITUDE IN QATAR SEEMS BE "WE'LL WORRY ABOUT IT WHEN WE SEE IT". SINCE OIL PAYMENTS HAVE BEEN MADE QUARTERLY, QATAR HAS ONLY JUST BEGUN TO SEE SHARPLY INCREASED REVENUES RESULTING FROM DECEMBER'S PRICE INCREASE. SHAIKH KHALIFA PERSONALLY HANDLES ALL MAJOR DECISIONS, AND TO DATE HE HAS MADE PRACTICE OF CHANNELLING SURPLUSES THROUGH PRIVATE INVESTMENT HOUSES IN BRITAIN AND SWITZERLAND. HIGHLY COMPETENT EGYPTIAN ADVISOR WHO WAS HIRED TO MANAGE QATAR MONETARY AUTHORITY HAS BEEN FORCED DEPART FOR HEALTH REASONS, AND FINANCIAL DIRECTOR SAID HE BELIEVES AMIR DOES NOT RPT NOT INTEND BRING IN REPLACEMENT, LEAVING DAY-TO-DAY CONTROL IN HANDS OF MINISTER FINANCE AND OIL, SHAIKH ABDULAZIZ, THE AMIR'S INEXPERIENCED SON.
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6. WE BELIEVE AMIR WILL CONTINUE PLACING SURPLUSES IN HANDS PRIVATE EUROPEAN INVESTMENT HOUSES FOR CONSERVATIVE PLACEMENT FOR TIME BEING, UNTIL HE BECOMES CONVINCED OF SOUNDNESS OF INVESTMENT OPPORTUNITIES NOW INCREASINGLY BEING OFFERED BY US AND EUROPEAN BUSINESSMEN AND BANKERS TO KUWAIT, UAE AND ELSEWHERE IN GULF.
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